

# RBI's Draft Rules for Payment Aggregators

written by iaseexam.com | 26/04/2024

## Mind MAPS



- Payment Aggregators (PAs) are entities that facilitate online transactions by collecting payments from customers on behalf of merchants.
- They act as intermediaries between the buyer, the seller and the payment gateway.
- What Payers Do:
  - Payment Collection: Payment collectors collect a customer's payments through various payment methods such as credit/debit card, online banking, digital wallets, etc.
  - Transfer of funds: After receiving the payment, the aggregator transfers the funds to the merchant after deducting service fees or commissions, an aggregator ensures that the funds are transferred to the merchant's bank account within a certain time, which is usually a few days.
- Security: Payment collectors ensure to use transaction security encryption and other security measures to protect sensitive customer information.
- Integration: They provide APIs and extras, which merchants can integrate into their websites or mobile apps to easily accept payments.
- Popular payment aggregators include Indian companies such as Razorpay, Paytm and PayPal.
- They play an important role in enabling businesses to accept payments online, which facilitates e-commerce and online transactions.

### Payment Aggregators

### RBI's Draft Rules for Payment Aggregators

### Is Registration with RBI Being Made Mandatory?

- The primary focus here is on non-bank PAs and within them, the offline extensions.
- Banks providing physical PA services as part of their normal banking relationship would not require any separate authorisation from the RBI.
- They are only expected to comply with the revised instructions within three months after they are issued.
- PAs, providing online / offline services, would have to inform RBI within 60 days (after the circular is issued), about their intent to seek authorisation.

- The current guidelines cover their activities on e-commerce sites and other online channels.
- The latest draft guidelines propose to extend these provisions to offline locations that require proximity or face-to-face events.
- The RBI observed as early as June 2022 that Online and offline activities of payment institutions are similar in nature.
- Its purpose is to bring "synergy of regulation related to the activities and functions of payment institutions, in addition to the harmonization of data collection and storage standards".
- The proposed standards are detailed, and learn from what happened to Paytm Payments Bank (PPBL) this year.
- The PPBL crisis was triggered, among other things, by gross irregularities in the bank's KYC compliance.
- In fact, the Financial Intelligence Unit (FIU-IND) imposed a fine of ₹5.49 crore after it found that PPBL was "involved in several illegal activities, including the organization and facilitation of online gambling".
- With PayPal's utility and operations expanding, the RBI seems to be strengthening the ecosystem against such transparency ...

### About RBI's Draft Rules

IASEXAM.COM

### Provisions for Sustainability under Draft Rule

- RBI proposes that non-banking entities currently providing proximity/face to face transaction services have a minimum net worth of ₹15 crore when they apply.
- This would be extended to ₹25 crore by March 31, 2028.
- The requirements are the same for new applicants, the difference being that a ₹25 crore net worth requirement would apply at the end of three financial years when the authorisation is granted.
- RBI has proposed that existing offline operators unable to comply with the approval-seeking timeframe wind-up their operations by July 31, 2025.
- Banks will also be directed to close all accounts by the end of October next year should they fail to produce evidence of their application seeking authorisation.
- The draft regulations instruct that no entity, other than the card issuer and/or card network, can store data for proximity/face to face payments from August 1, 2025, and direct them to purge data stored previously.
- To track transactions and to reconcile them, entities would be allowed to store limited data, that is, the last four digits of the card number and the issuer's name.
- The onus for compliance in this domain would also be on card networks.